

Executive Summary:

With favourable weather conditions and good moisture level in the field sowing of wheat in the most parts of north and central India has gained momentum. Despite slower start and fear of lower area coverage, especially in Rajasthan and Gujarat, coverage area has improved considerably during last two weeks. Almost 157.89 lakh ha. area under wheat has been covered so far (till 30th Nov.) against 162.5 lakh ha. in the corresponding period last year. Total area coverage may exceed last year's level of 296 lakh ha. as farmers are receiving better price at the time of sowing.

It is unwise to analyse any final figure of production estimate at this point of time when sowing is underway. However, with primary feedback from farmers and experts opinion we can expect bumper production once again at over 91 million T. There is a fear of lower production in Rajasthan and Gujarat this year due to lower availability of irrigational water and area shifting to other more attractive cash crops.

At price front, wheat trades lower on the back of 6.5 million T allocation for bulk and small buyers. However, delayed release of wheat, price hike of Rs 200 per qtl. For Gujarat, Rajasthan and buying interest at higher level by private trade continued to support wheat market and resultantly any major dip from current level is unlikely. There is a good demand in cash market and bulk buyers will remain fully dependent on govt.'s stock as supply through farmers and stockiests is continuously shrinking to negligible level now. However, the latest release will restrict market to gain further and help market to trade range bound in the month of December.

Export opportunity for India has improved during last two months with depleting supply source from Black Sea Region. Buyers have started looking to India as permanent supplier of wheat at least for two to three years. That's why quotes have improved in recent tenders from \$315 to \$328 per T. Even govt.(CCEA) has approved an additional export of wheat from Food Corporation of India (FCI) godowns. Though the Cabinet did not mention any specific quantity for exports there was an agreement to review exports once the shipments touch 25 lakh tonnes. We expect PSU's will continue to receive quotes in the range of \$320 to \$ 330 per T in the forthcoming tenders. Global wheat market prices are expected to remain supportive for next one month as weather in key growing countries still remains a concern.

The global wheat sector is facing a tight world supply situation and, as it gets tighter, prices could go upwards. It's too dry in the U.S., Britain, eastern Europe and Australia. And, it's too wet in Argentina. The global wheat production estimate is likely to revised down once again.

Domestic Market Dynamics:

Cash wheat market is likely to trade steady on continuous supply from central pool stock despite improved demand from bulk users. Supply from Rajasthan has decreased due to higher prices set for auction recently and traders /millers in south India have shifted to M.P,U.P. as wheat is cheaper in these states. U.P. will not continue to supply as local demand will improve in the months ahead. This means offtake from govt.'s godown will increase in M.P., Punjab and Haryana. These states will continue to be a big suppliers through govt.'s approved auction/tender. Besides, improved area coverage and favourable weather does not influence

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prices at this point of time. Govt.'s intention to augment supply and export through central pool s will remain a price limiting factor. Private exporters may loose margin if they source wheat from Rajasthan, Gujarat at current prevailing prices. Total FOB cost will increase for them. However, there is a possibility of diversion of wheat basically meant for domestic markets and bulk users. If international wheat prices continue to increase, possibility of diversion too will increase. However, international market has shown declining trend and it will help domestic market to trade steady and private traders to stay away.

We still stick to our previous month balance sheet as sowing is under progress and there is no solid reason to revise it at this point of time despite fear of lower production looms large in the market.

India's Wheat Balance Sheet:

All units in million tonnes	2009-10	2010-11	2011-12	2012-13*
Carry in	13.42	16.12	20.43	26.33
Production	80.80	86.81	93.90	91.00
Imports	0.15	0.00	0.00	0.00
Total Availability	94.37	102.93	114.33	117.33
Consumption	78.15	81.00	83.50	84.50
Exports	0.10	1.50	4.50	5.00
Total Usage	78.25	82.50	88.00	89.50
Carry out	16.12	20.43	26.33	27.83
Av Monthly Consumption	6.51	6.75	6.96	7.04
Stock to Month Use	2.48	3.03	3.78	3.95
Stock to Consumption Ratio	0.21	0.25	0.32	0.33

Note: * We have assumed private stock of around 1 million T for 2012-13 carryout

Balance sheet highlights:

As the above given balance sheet shows total availability and carry out for next year will increase despite lower production estimate (preliminary) around 91 million T.

India can easily export at least 60 million T wheat from govt's stock for maintaining the carry in stock at 2011-12 level. Higher carryout stock is due to record production in 2011-12.

Higher export will not affect the domestic availability or even prices if release through OMSS is maintained on the basis of supply-demand gap for different zones.

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India is at very comfortable stage on stock front and should avail the benefit of favourable global prices.

Av monthly consumption, stock to month use ratio and stock to consumption ratio too are continuously increasing despite higher export figure as depicts the above given table.

India's Wheat Production in Global Context:-

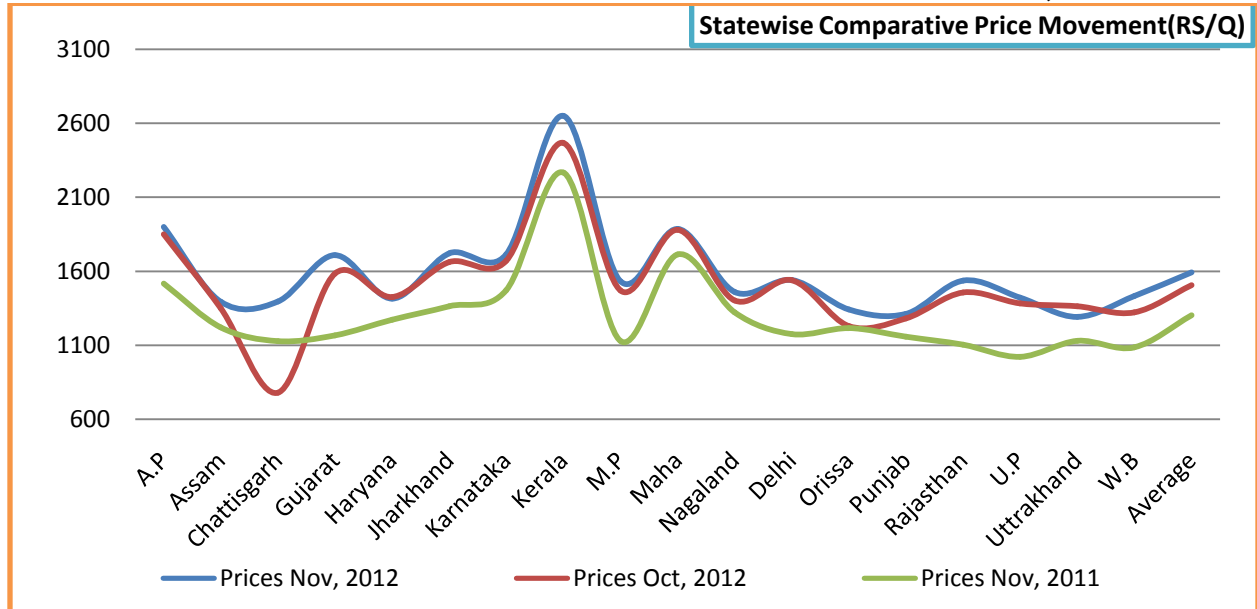
Year	World Production in million ton	Indian Production in million ton	India's % share in global wheat production
2001-02	584	72.77	12.46
2002-03	569	65.76	11.56
2003-04	555	72.15	13.00
2004-05	627	68.64	10.95
2005-06	619	69.35	11.20
2006-07	596	75.81	12.72
2007-08	607	78.57	12.94
2008-09	685	80.68	11.78
2009-10	679	80.8	11.90
2010-11	651	85.93	13.20
2011-12	696	93.9	13.49
2012-13 E	662	91	13.74

Indian wheat production share in global wheat production has been increasing steadily buoyed by good monsoons, adequate procurement on higher MSP and increasing possibility of higher export. Global production has seen dips more often due to changing weather patterns especially in United States of America, Australia and Russia. The US, Australian and Russian production remains the major price driving force in the global wheat market. The government holding of wheat stocks has been increasing each year and now stands at close to more than a third of the production. This has bearing on the private stock availability for domestic and international trade. Production figure for 2012-13 is preliminary estimate and may vary depending on price, weather condition and other seasonal factors. Agri experts expect over 91 million T production this year too under normal weather condition.

State wise price movement during last three years:

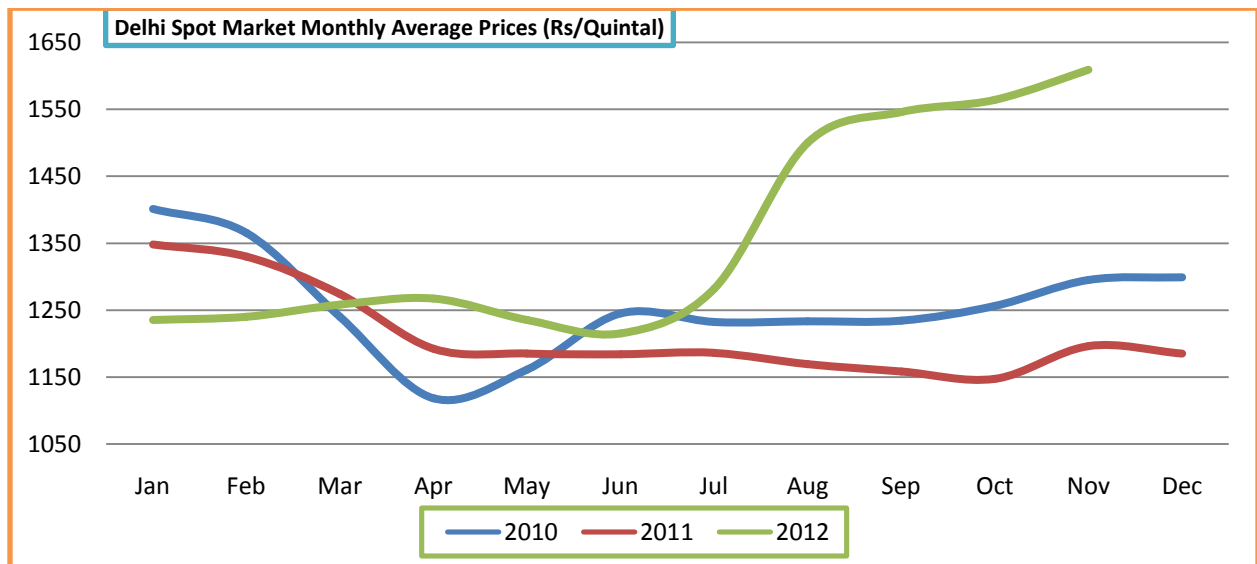


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Wheat prices moved higher in Nov. despite allocation from central pool. However, latest allocation may restrict uptrend in the months ahead. Wheat market is likely to trade range bound at current level as supply is will be ample to meet seasonal demand. At lower price private export demand will support wheat price.

Wheat average monthly prices movement during last three years:



Due to higher prices, average prices in Delhi too are ruling higher than expectation and we expect prices to decrease to some extent as supply through govt.'s stock is increasing. However any major dip is unlikely from current level as there is good demand in the market.

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Delhi spot market monthly av. Price:

	2010	2011	2012
Jan	1401	1348	1235
Feb	1365	1330	1240
Mar	1240	1274	1258
Apr	1118	1192	1267
May	1161	1185	1235
Jun	1245	1184	1215
Jul	1232	1186	1282
Aug	1233	1169	1500
Sep	1234	1158	1546
Oct	1256	1147	1564
Nov	1295	1196	1609
Dec	1299	1185	

Av. Wheat price this year has been ruling considerably higher than 2010 & 2011 the price gap started to build up from April mainly due to Higher MSP. The gap further widened due to higher procurement by the govt's agencies. Private trade participation declined and after the end of procurement season i.e. July onward supply crunch in domestic market supported prices to get more firmer as maximum millers dependency increased on govt.'s stock. Stock in private hand s continued to decline despite continuous release from central pool. More wheat supply is needed immediately to stabilize the market. Even private trade active buying for export from domestic market helped price to shoot up. The above given line chart of Av price shows the same trend.

NCDEX spot Price Delhi market:



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Spot price in Delhi has come down, however, major dip from current level is unlikely. Market is likely to move in the range of Rs 1550 to Rs 1650 per qtl.

Stock status with govt. and with farmers and traders:

Stock With Govt. Agencies	Stock ith Govt. Agencies	Marketable surplus With farmers	Stock with traders
June-12	48.79	4.5	0.9
July-12	49.80	2.5	0.7
August-12	47.52	1.5	0.5
Sept-12	46.16	1.2	0.4
Oct-12	43.15	1.0	0.3
Nov-12	40.5	1.0	0.2
Dec-12(projected)	35.5	0.5	0.2

Source: FCI and traders, Fig in million T

The above given table shows that maximum stock is in govt.'s godowns. Even farmer's stock too has come down to 0.5 million T. It is lower by 5 lakh T from previous month as higher prices encourage them to sell more in the month of Nov. Traders have minimum stock this year as they have shipped out maximum with better margin in favourable global market. We expect the month of Dec will start with 35.5 million T wheat in central pool.

Wheat coverage area & expectation for 2012-13 as per pre-sowing intention of farmers:

(Area : ' 000 Hectare)							
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Andhra Pradesh	10	9	14	10	10	10.6	11
Arunachal Pradesh	4.0	3.6	3.3	3.2	3.7	3.6	3.4
Assam	60	56	50.1	58.4	44.8	50	56
Bihar	2049.7	2162.5	2158.3	2193.3	2103.5	2133.46	2316
Chhattisgarh	91.5	93.3	89.9	112.2	110.8	107	112
Gujarat	1201	1274	1091	878	1274	1230	990
Haryana	2376	2462	2462	2492	2515	2815	2659
Himachal Pradesh	362.2	366.6	360	352.5	357.2	355	360
Jammu and Kashmir	260	278.3	278.7	288.9	290.7	280	295
Jharkhand	84.3	86.3	99.9	99.7	96.4	105.41	105.86
Karnataka	269	276	269	283	255	234	220
Madhya Pradesh	3992.8	3742.3	3785.2	4275.9	4341	4198	4440



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Maharashtra	1231	1253	1022	1081	1307	1125	1250
Manipur	-	-	-	-	2.1		1
Meghalaya	0.6	0.6	0.4	0.4	0.4	0.5	0.4
Nagaland	1.5	1.5	1.4	2	3.1	1.9	2
Odisha	3.9	5.6	5.3	4	2.9	4	4.2
Punjab	3467	3488	3526	3522	3510	3550	3578
Rajasthan	2564.8	2591.8	2294.8	2394.2	2479.2	2935	2800
Sikkim	6.5	4.5	5.8	5.2	2.7	3.1	4
Tamil Nadu	-	-	-	-	0.1	-	0.2
Tripura	1.0	1	0.6	0.7	0.3	0.2	0.3
Uttar Pradesh	9197.6	9115	9513	9668	9637	9656	9650
Uttarakhand	391	397	398	395	379.2	379.5	380
West Bengal	350.6	352.6	307	315.9	316.8	324	325
Dadra and Nagar Haveli	0.6	0.6	0.6	0.7	0.1	0.1	0.2
Delhi	17.9	17.5	17.1	21.3	25.6	29	30
Others	32.1	-	-	-	-	-	
India	27903	27945.3	27753.4	28457.5	29068.6	29530.37	29593.56

Area under wheat has been continuously increasing from last 5 years and this year too higher coverage is expected marginally on back of higher prices at the time of sowing. However, it is preliminary estimate and may vary by 1 to 2 percent minus /plus with space of time .

Required foodgrains under buffer norm:

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

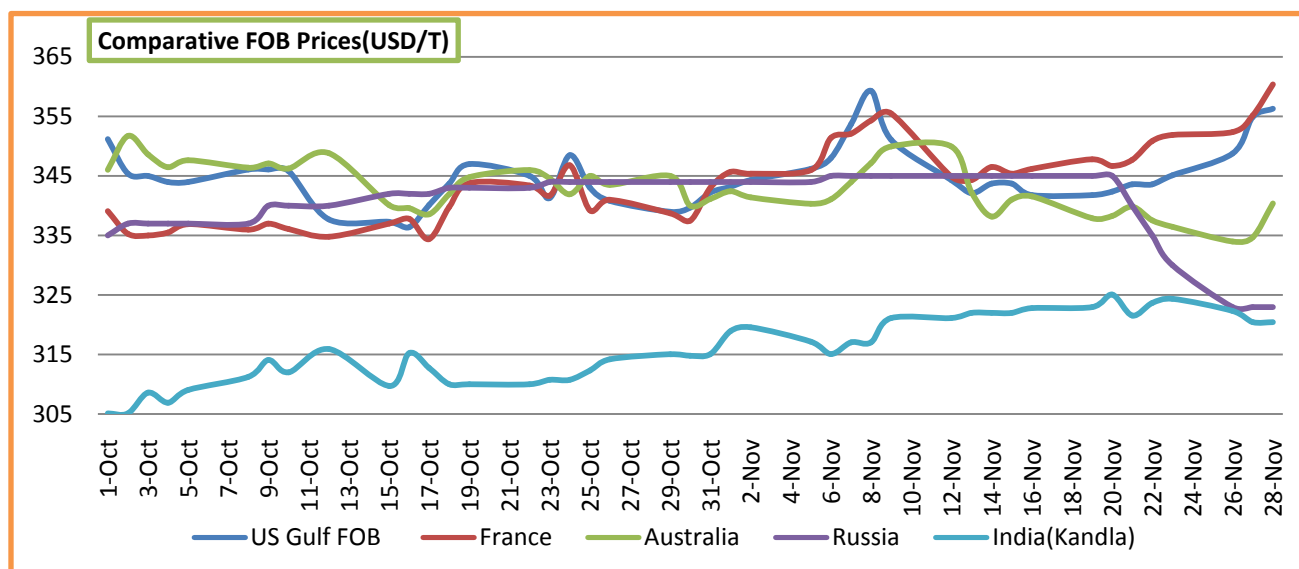
Expected Price Range For Current month:

Market :Delhi Spot (mill delivery)	Rs/per qtl.
Cash market (Steady)	Rs 1550-1600
Future market (Dec Contract) Steady to range bound	Rs 1550-1600

Major Countries FOB Comparison (USD/T):



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Comparative quotes by CPSU and private trades:

CPSU	Name of Port	Qty(MT)	Date	USD/T(Tender Bid)	CBOT Dec (USD/T)	US Gulf FOB	Australia	Russia
STC	Mundra	100000	03.08.12	302.50	332.04	335.20	342.00	304.00
PEC	Kandla	90000	03.08.12	296.68	332.04	335.20	342.00	304.00
MMTC	Pipava	50000	03.08.12	280.00	332.04	335.20	342.00	304.00
PEC	Krishnapatnam	60000	16.08.12	308.00	323.95	329.60	344.00	305.00
MMTC	Pipava	35000	21.08.12	301.10	338.74	344.70	350.00	309.00
STC	Chennai	40000	24.08.12	311.11	326.43	339.50	352.00	309.00
MMTC	Vizag	35000	24.08.13	302.00	326.43	339.50	352.00	309.00
PEC	Kandla	125000	10.09.12	313.50	326.89	342.00	349.00	313.00
STC	Mundra	120000	12.09.12	312.15	326.99	342.00	346.44	319.00
PEC	Krishnapatnam	70000	13.09.12	316.01	331.39	347.00	347.00	320.00
MMTC	Vizag	35000	13.09.12	305.25	331.39	347.00	347.00	320.00
PEC	Karaikal	30000	27.09.12	307.50	314.31	340.40	353.94	335.00
STC	Mundra	120000	01.10.12	308.21	324.87	351.20	346.05	335.00
MMTC	Kakinada	50000	09.10.12	308.36	317.53	346.10	347.11	340.00
STC	Chennai	40000	09.10.12	305.00	317.53	346.10	347.11	340.00
STC	Mundra	150000	19.10.12	311.75	320.56	347.00	344.80	343.00
PEC	Krishnapatnam	100000	19.10.12	310.00	320.56	347.00	344.80	343.00
MMTC	Pipava	35000	25.10.12	310.80	320.65	343.00	345.03	344.00
PEC	Kandla	125000	30.10.12	314.12	314.77	339.70	340.00	344.00



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MMTC	Kakinada	100000	08.11.12	318.67	331.58	359.30	347.14	345.00
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Note: In recent tender PEC has received the highest quote at \$328 MT

Wheat export under public and private account:

Wheat export under OGL	Wheat (Lakh T)	Average FOB Quotes(USD/MT)	CBOT Average Quotes (USD/MT)
Oct-11	1.3	215.90	242.79
Nov-11	1.8	225.41	234.05
Dec-11	1.35	230.79	228.41
Jan-12	1.05	237.07	237.73
Feb-12	0.95	239.53	240.81
Mar-12	1.23	244.02	241.00
Apr-12	1.18	236.89	235.13
May-12	2.57	252.15	236.73
Jun-12	3.45	256.64	245.82
Jul-12	3.35	296.12	318.27
Aug-12	3.95	310.07	328.89
Sep-12	3.55	314.48	326.52
Oct-12	3.75	312.11	317.84
Nov-12	3.26	320.52	317.04
Total	31.14		
Revised on 04.12.2012			

International market update:

International Grain Council (IGC) has raised the estimate for expected Wheat harvest area for 2013-14 at 223.3 million hectares as compared to 218.3 million hectares in 2012-13. This is largest world wheat area since 1998-99. This expected rise is due to higher domestic prices in major producing and exporting countries, as northern hemisphere was hit by severe draught this year. Higher domestic prices in Russia, Ukraine, EU and US might entice farmers to shift to wheat in 2013-14.

According to the latest IGC report, Wheat production estimate for the year 2012-13 has been slashed from 655 million tons to 654 million tones as lower harvesting is expected in Australia and EU. Wheat trade has been raised from 132 million tons to 134 million tones as fresh demand had been noticed from China and Iran. Carry out stock too has been increased from 172 million tons to 173 million tones but stock shows 23 million tones fall year on year basis. Global consumption has been lowered to 678 million tons from 679 million tones as higher prices and lower supplies have contained demand for feed and industrial demand.

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- Ukraine has already exceeded the expected export of 5.5 million tonnes of wheat export. Traders now expect that Ukraine might export 5.6-5.7 million tonnes this year and traders will either switch for Maize or Barley.
- Indonesia the largest wheat importer in South East Asia has become the first nation to purchase more than 4 million tonnes of wheat in a year. According to analyst Australia has 70% market share in Indonesia.
- Australia has cut its expected wheat crop to 22.03 million tonnes as compared to previous estimate of 22.54 million tonnes due to dry weather. Although yield are better than expected. Few analysts believe that Australia crop might be around 21 million tonnes this year.
- There are speculations that Brazil may have bought Wheat from Germany as its traditional supplier Argentina has been suffering from heavy rains since two weeks, reduction in yield and lower production as compared to last year.
- Argentina's government has cut its wheat output forecast, due three months of heavy rains that started in August and flooded key parts of the Pampas farm belt. It is expected that it will produce 11.1 million tonnes of wheat in the 2012-13 crop year, down from the government's previous forecast of 11.5 million tones.

IGC balance sheet:

Released on 29.11.2012 by IGC	2007- 2008	2008-09	2009-10	2010- 11	2011-12 estimate d	Million T	Projection for 2012- 13
						25.10.2012	29.11.2012
Production	607	685	679	653	694	655	654
Trade	110	137	128	126	145	132	134
Consumptions	603	645	652	659	692	679	678
Carryover stocks	132	173	200	194	196	172	173
Y-O-Y change	5	41	27	-6	-6	-24	-23
Major Exporters	47	69	79	73	73	50	50

IGC Highlights:

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- Wheat production estimate for the year 2012-13 has been slashed from 655 million tons to 654 million tones as lower harvesting is expected in Australia and EU.
- Wheat trade has been raised from 132 million tons to 134 million tones as fresh demand had been noticed from China and Iran.
- Carry out stock too has been increased from 172 million tons to 173 million tones but stock shows 23 million tones fall year on year basis.
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USDA wheat balance sheet (updated on 29.11.2012)

USDA Global Wheat Balance Sheet: 2011-12 Fig.in MMT–(Updated on 24 November 2012)							
Country	Opening stock 2012-13	Production projected 12-13	Domestic consumption (2011-12)	Import 12-13	Export 12-13	Ending stock 11-12	Production last year
USA	20.21	61.75	36.41	3.53	29.93	19.15	54.41
Canada	5.88	26.7	8.35	0.40	19	5.62	25.26
Australia	6.55	21	6.53	0.12	16.5	4.64	29.51
Argentina	.962	11.50	6	.005	5.5	.97	15.5
Russia	10.43	38	34.5	1	10	4.93	56.23
China	57.94	118	122	2.5	1	55.44	117.40
EU	12.40	131.82	123.5	6	17.5	9.22	137.22
Ukraine	5.16	15.5	11.8	0.1	6	2.96	22.12
Pakistan	4.25	23.3	23.2	0.2	1	3.56	25.00
India	19.95	93.9	85.4	0	6	22.45	86.87
Others	54.12	109.95	222.38	123.78	20.25	45.21	126.51
World total	197.89	651.42	682.33	137.64	130.87	174.18	695.04

Highlights:

- As per latest USDA balance sheet carryout is set to decline from 197.89 to 174.18 million tonne in 2012-13.
- World production is bound to decrease from 695.04 last year to 651.42 million tonne this year.



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- Carryout for all major producing states will be lower as shows the difference of opening stock in 2012-13 and ending stock of 2011-12.

Indicative FOB Quotes:

	Variety	% Change over Prev. Year	05.12.12	Week Ago 26.11.12	Month Ago (November)	3 Months Ago (Sept)	Year Ago (Dec)
USA (Chicago)	RTRS 2SRW	26.52	339.00	348.40	346.20	339.00	249.10
France	FCW3	31.35	351.50	352.40	346.00	336.00	241.30
United Kingdom	Feed wheat	38.37	362.50	352.00	347.00	323.30	223.40
Australia	CWRS	31.59	333.57	334.01	340.33	344.42	228.21
Russia	SRW	-	NA	332.50	342.00	312.00	247.00
Canada(SPOT)	Q2FW	19.68	302.30	301.90	301.10	304.00	242.80
Ukraine	SRW	-	NA	342.50	340.00	309.50	245.50
Argentina	SRW	11.59	345.00	346.25	342.50	340.00	305.00

Comparative monthly average FOB quotes: (Fig in \$ /MT)

All prices are for SRW /milling grade, comparable to Indian quality	1st Aug 12	1st Sept 12	1st Oct 12	1st Nov 12
USA	335.00	338.60	351.20	343.20
France	317.40	335.60	339.10	345.70
United Kingdom	294.30	323.30	324.20	341.10
Australia	350.42	344.42	346.02	342.44
Russia	298.50	312.50	335.00	340.00
India	303.00	314.97	307.46	318.95



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CBOT Future chart (Dec contract):



Settlement for December delivery is taking place at lowest level at \$ 8.4 to 8.5 per bushel. Further settlement may dip further.

CBOT Futures Prices: Date: 05.12.12(USD/T)							
CONTRACT MONTH	5 Dec 2012	Week ago (26 Nov 2012)	1 Month ago(5 Nov)	3 Month ago(4 Sept)	6 Month ago(4 June)	1 Year ago(5 Dec)	% Change over previous year
Dec-12	309.44	311.92	318.17	326.53	247.08	249.83	19.26
Mar-13	315.96	317.34	323.04	330.48	255.62	255.62	19.10
May-13	319.09	319.82	325.61	329.74	260.58	256.90	19.49
July-13	319.45	315.69	321.11	316.61	262.97	252.13	21.08
Sept-13	322.49	318.08	324.14	316.52	266.55	256.45	20.48
Dec-13	325.79	320.83	327.17	319.18	271.60	259.38	20.38

Overall view and outlook:**Global Update And Outlook:**

- It's shaping up to be a rough year for the wheat farmers around the world. Whether it's too much moisture or too little, rough weather is bringing the pain to a sector that's already facing a tight world supply situation and, as it gets tighter, prices could be just getting started on their upward climb.
- It's too dry in the U.S., Britain, eastern Europe and Australia. And, it's too wet in Argentina, where farmers are struggling to get what crop they have harvested. No matter what the weather extreme, it's creating a consistent likely outcome: Less wheat on the world market in the coming months.

Domestic Update And Outlook:

- Domestic wheat market trades under pressure on increased supply from govt.'s stock and improved sowing status in major wheat growing states.
- Millers from south India starts sourcing wheat from M.P. due to cheaper availability against Rajasthan and Gujarat. Offtake through tender in Rajasthan is likely to decrease due to price disparity.
- However, any major dip from current level is unlikely as export demand is expected to support cash market at lower level and favourable export market.
- Despite lower area coverage in Rajasthan and Gujarat overall area coverage is likely to remain same as last year due to better coverage in other states supported by better price and congenial weather.

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